DOCUMENT RESUME

ED 471 898 HE 035 557

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TITLE	New Forces and Realities: Making the Adjustment. Society for College and University Planning (SCUP) National Planning Roundtable (San Diego, California, July 15, 2002).
INSTITUTION	Society for Coll. and Univ. Planning, Ann Arbor, MI.
PUB DATE	2002-12-15
NOTE	22p.
AVAILABLE FROM	Society for College and University Planning, 339 East Liberty Street, Suite 300, Ann Arbor, MI 48104-2205. Tel: 734-998-7832; Fax: 734-998-6532; Web site: http://www.scup.org.
PUB TYPE	Collected Works - Proceedings (021) -- Reports - Descriptive (141)
EDRS PRICE	EDRS Price MF01/PC01 Plus Postage.
DESCRIPTORS	*College Role; *Educational Planning; *Financial Support; Futures (of Society); Government Role; *Higher Education; Instructional Leadership; *Public Colleges; *State Aid

ABSTRACT

This report summarizes the discussions of the 2002 National Planning Roundtable. The premise of this Roundtable is that inadequate financial support from the state is a permanent condition to which higher education must adjust, not a temporary situation to endure. The responsibility to educate and prepare students and address policy issues is not lessening, and new market forces have come into play with the competition from for-profit institutions. The report expands on these operating principles for the future: (1) public universities must carve out a niche rather than try to be all things to all people; (2) public universities should step up to the competition; (3) public universities and leaders must acquire greater flexibility; (4) public universities must take the initiative in generating more public support; (5) public universities must think and act as publicly "assisted" rather than publicly "supported"; and (6) leaders must seize the moment in times of crisis to make needed changes. (SLD)

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ED 471 898

2002 Society for College and University Planning

National Planning Roundtable

NEW FORCES AND REALITIES: MAKING THE ADJUSTMENT

T. Calhoun

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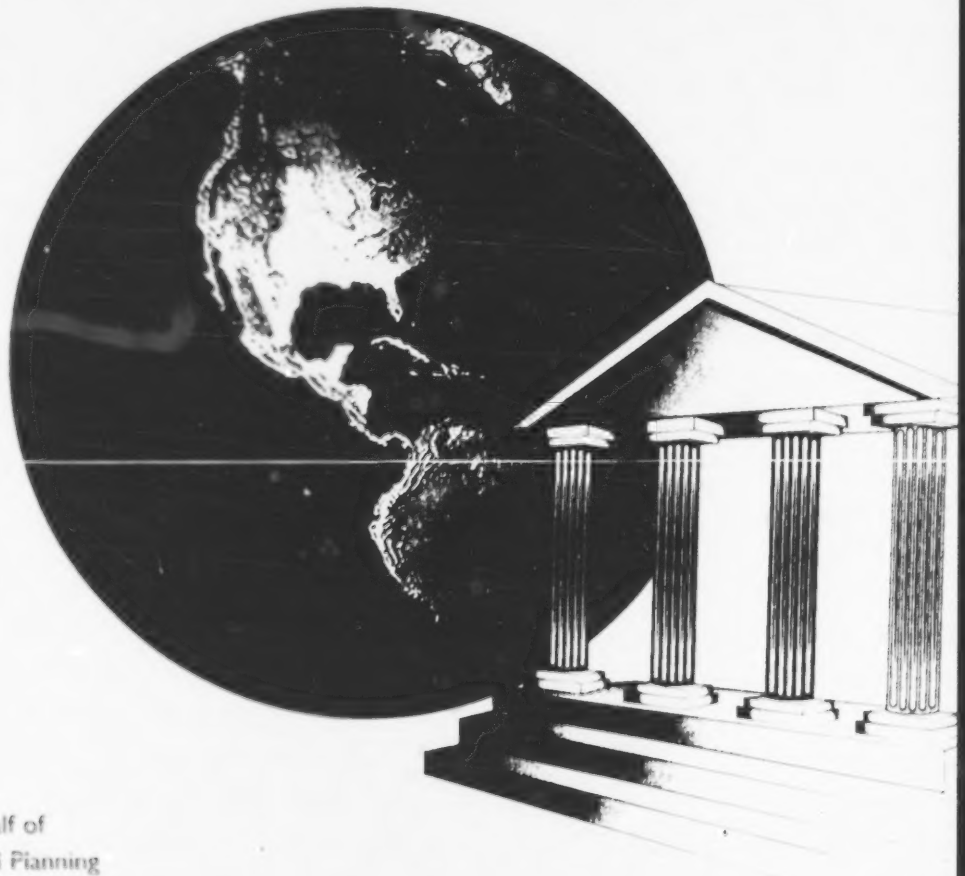

By Sal D. Rinella on behalf of
the 2002 SCUP National Planning
Roundtable Participants

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Published December 15, 2002

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The mission of the Society for College and University Planning is to promote the practice of comprehensive planning in higher education by developing and disseminating planning knowledge.

NEW FORCES AND REALITIES: MAKING THE ADJUSTMENT

The Society for College and University Planning's National Planning Roundtable drew together Public College and University presidents and System heads from seven western States around a common table to address their shared challenges in leading public higher education. The Roundtable was held on July 15, 2002 in San Diego, California.

Plainly stated, the Roundtable's premise was that inadequate financial support from the State is a permanent condition we must adjust to, not a temporary situation to endure. At the same time, the responsibility to educate and prepare students, generate knowledge and innovation, and address major policy issues on behalf of the State is in no way shrinking; and competition from for-profit institutions has brought new market forces into play.

Given the challenges, presidents and chancellors find themselves thinking, "There must be a better way. There must be something we can do differently." Participants were asked to speak openly and candidly about what needs to change and what they would like to try, if given the opportunity.

Many ideas arose in the course of the free-flowing discussion. Some can be implemented immediately; others would need to be phased in. Some are being done at other institutions so there are models to look at; others are at the cutting edge and would require further discussion and study.

Participants also articulated the characteristics necessary—in governance, finance, and leadership—if American public higher education is to fulfill its historical mission and uphold its worldwide premier status. In a very real sense, these characteristics are operating principles that must be established and practiced if the ideas shared at the Roundtable are to be implemented and succeed.

OPERATING PRINCIPLES:

Public universities must **CARVE OUT A NICHE** rather than try to be all things to all people.

Public universities should **STEP UP TO THE COMPETITION**, whether from for-profit or traditional schools.

Public universities and leaders must **ACQUIRE GREATER FLEXIBILITY**.

Public universities must **TAKE THE INITIATIVE ON GENERATING MORE PUBLIC SUPPORT**.

Public universities must **THINK AND ACT PUBLICLY-*ASSISTED*** rather than publicly supported.

Leaders must **SEIZE THE MOMENT IN TIMES OF CRISIS** to make needed changes.

2002 SCUP National Planning Roundtable

CARVE OUT A NICHE

Every campus needs to define its own points of distinction, in terms of curriculum and program offerings, and seek funding accordingly from both State and private sources. On many campuses, this may be a new exercise, a new way to look at campus identity, and would likely force a challenging set of decisions as certain programs are enhanced, diminished, or eliminated.

In the best of circumstances, campuses would not strike out on their own to create a unique niche for themselves. The Board, business and educational leaders, and the public at large would be involved in identifying what needs are best met by each campus so that the System, as a whole, meets State needs.

"Becoming more entrepreneurial means finding our niche and playing it extremely well."

What are some ideas on how to create a unique niche for each campus?

FUNDING CORE ACTIVITIES

An idea that intrigued the group was identifying and funding a set of "core programs" for each campus. That is, rather than stretching budget allocations to try to cover all the programs a public College or University wishes to offer, a campus would work with its Board and State to identify so-called core activities (i.e., a niche). "Core activities" would be defined as those activities that align most closely with the public or social benefits sought by the State from that campus, in the context of the overall State higher education system. State budget dollars would then be allocated to each school to subsidize these core activities, in addition to courses and programs that represent the general education curriculum.

If it chooses, an institution could establish programs that are outside its core, and pay for them by seeking outside funding and/or establishing program-specific tuition that is likely higher than other programs.

Non-core offerings might include specialized programs that experiment with new and emerging expressions of the niche that could eventually receive core funding, programs subsidized by local corporations to enhance the capacity of their work force, or programs for which there is a strong market that is willing to pay higher tuition. In sum, using State funds primarily for core activities would help the State and institutions avoid spreading resources so thinly that few programs can be adequately funded to achieve premier status. At the same time, any school would have the flexibility to pursue funding for programs outside its core—hence preserving institutional autonomy.

ENCOURAGE POINTS OF DISTINCTION

A variation of funding core activities is the Center of Excellence concept, currently in use in Tennessee and other states. Taking into account factors like historical mission, strengths, and unique opportunities, Tennessee allocates resources to institutions to maintain or create distinction in certain programs. As a result, one institution has the Center of Excellence in the Creative Arts, another the Center of Excellence in Manufacturing, and so on. Oregon has similar Center of Excellence programs and, also, a Targeted Investment

Model that directs resources to selected University programs in an effort to achieve national status.

There was general support for each campus creating a niche, but some cited the importance of preserving the traditional mission of public higher education, initially conceived by Jefferson's vision in the early 19th century: creating access to education for the growth and preservation of a free society. Thus, care needs to be taken not to allow State-funded core activities or a Center of Excellence program to minimize student access to programs or to marginalize or eliminate important activities that serve regional needs.

Would programs designed to create a niche "sell" to elected officials and the public at large? Participants were optimistic, since they would more sharply focus the State's investment in each institution. They might also appeal to elected officials since they shift the costs and risks for new programs onto the shoulders of the individual institutions.

Clearly, the challenges would be blending the new approach into the culture of the institution, coming to an agreement—as a System and with the State—on what each campus' core activities or centers of excellence would be, and establishing the policies for funding programs outside of the core.

STEP UP TO THE COMPETITION

Higher education operates in a competitive environment more than ever before. With technology, the days of "service areas" and "boundaries" are permanently over, and public colleges and universities must learn how to compete effectively with for-profit enterprises, and ultimately with each other. Can institutions respond to the new market forces of globalization, technology, and direct competition from for-profits without violating the culture and spirit of public higher education? Many participants think so.

"Private competition is forcing deregulation whether we admit it or not. Just let me compete, inside the system or out. . . . It will lead to collaboration and less duplication."

CONSIDER USING VOUCHERS IN HIGHER EDUCATION

An idea that raised considerable interest was introducing vouchers in higher education. As in K–12, post-secondary vouchers would be given to each college-bound student and spent at the institution of choice inside the State. The person who introduced the idea saw it structured very simply: Divide the projected total appropriation by the projected number of FTE students, and the result would be the amount of the voucher each college-bound student would receive.

Vouchers could drive behavioral change at the campus level. Institutions would need to identify, publicize and leverage their points of distinction (i.e., their niche), operate as efficiently as possible in order to price themselves competitively, and improve services. As one person put it, "Imagine how our behavior would change toward students. Talk about a radical change in higher ed." Another said dryly, "Local self-interest drives better planning."

Vouchers could also significantly enhance support for public higher education by creating the expectation that every high school graduate is entitled to post-secondary public education. As one participant noted, "One thing you don't see during all these budget cuts is cuts to the direct benefits to taxpayers." If support for higher education were seen as an "entitlement," then the public would be much less tolerant of budget cuts to public colleges and universities.

Some Roundtable members quickly noted that tough policy questions would have to be addressed. Could students spend their vouchers at private institutions? Could they spend them out of state? Additionally, some felt that legislatures would fervently resist the idea of vouchers, because it might appear to shift too much control away from them.

Despite the tough questions and potential opposition to vouchers, many were intrigued by the idea and believe that it deserves further study.

CHALLENGE THE FOR-PROFIT SECTOR

One wonders how traditional higher education has become vulnerable to the for-profit institutions. We already have a vast array of educational programs to build from, possess strong intellectual capital to create new ones, are much less expensive, and, in most cases, have sufficient space and equipment to build upon. The fundamental problem is that we have a tradition-bound operating model that no longer works, given powerful external

forces such as the expansion of technology, changes in the market, consumerism, and public accountability. As one participant put it, "There's no one but ourselves saying that classes must start in the fall and winter, and last 16 weeks."

Another factor mentioned relates to the fundamental difference between the mission of their institutions and that of the for-profits. Traditional universities attempt to educate the whole person, with a comprehensive curriculum and a full array of student support and academic support programs. Many for-profits focus on profitable programs and have limited support services. Participants noted that these distinctions shouldn't be used as a reason for righteously standing pat while competitors draw away students, revenues, and relevancy in the marketplace. Rather, we should modify our operating model where appropriate and necessary, while at the same time becoming much clearer in our own messages and mission. "We need to be able to publicize how and why our business model differs from the for-profits," as one person put it.

Another noted that leaders of public universities often want it both ways. In response to inadequate State support we'll say that we can't serve more students without more money. "Yet we disparage the for-profits for taking the students we say we can't accommodate!"

In the end, the prevailing view was that we must look at the for-profit sector squarely and simply take it on, leveraging our strengths and advantages. Some noted that they and a number of other schools have already begun to compete successfully by offering programs at nontraditional times and locations and in cohort groups. In addition to improving their competitive positions, such arrangements are having financial benefits. As one participant put it, "Anywhere the University can beat the for-profits on course content or price point, it can form a revenue stream that relieves pressure on funding in other areas."

USE TECHNOLOGY TO CREATE COMPETITIVE ADVANTAGE

Some institutions have already begun to be more competitive with the for-profits through new applications of technology. If approached strategically, these new applications can also reduce costs and foster innovation. For example, several schools represented at the Roundtable are part of an initiative funded by the Pew Charitable Trust to deliver high-enrollment introductory courses online rather than in large lectures. The online modules include diagnostic homework exercises, FAQs, quizzes, and tutorials to help compensate for wide variations in individual abilities or academic preparation. Initial findings are that the approach is popular with the students and faculty; enhances learning; improves student retention; and enables academic departments to shift faculty, classrooms, and other resources to more advanced courses.

As one president put it, "Redesigning courses around technology is a way of looking inward to boost the productivity of the resources you have—and we got better learning outcomes at the same time."

ACQUIRE GREATER FLEXIBILITY

One of the most strongly held opinions was that campuses and presidents need greater flexibility—for problem-solving, being more competitive, maximizing the impact of their resources, and being more creative. It is only with a full quiver of arrows that leaders can respond to changing circumstances quickly and effectively.

In many cases this would require substantial adjustments. It is more difficult for States and Systems to govern campuses that have greater autonomy, and easier to implement one-size-fits-all regulations. However, the benefits of flexibility to the State, citizens and institutions are worth the effort. "Then we just have to get out of our own way," someone quipped.

"We do not all have the same jobs, circumstances, and challenges, so let us do what we need to do."

Several ideas were discussed for achieving greater flexibility.

MODIFY GOVERNANCE

A governance structure that establishes overall direction but allows greater local autonomy not only creates the flexibility that leaders and institutions require but also answers other needs including developing a niche, being more competitive, having the ability to seize the moment, and others.

One participant pointed out how the Ohio governance model that was developed several decades ago fosters autonomy and a lively sense of competition that brings out the best in every campus. In that structure, each institution has its own Board, is encouraged to compete on the basis of differentiation, and enjoys a relatively high degree of independence, including being able to set its own tuition and salaries. As one participant recalled, "The fierce competition strengthened our sense of mission and created first-rate institutions." States like Virginia and Texas have the same model, and others, such as Oregon, Florida, and West Virginia are currently moving toward it.

However, governance structure alone cannot create the desired ends. It must be accompanied by the autonomy that campuses need to tailor their plans and strategies, respond to external forces, and take full advantage of new opportunities.

CHANGE BUDGET AND FINANCIAL POLICIES

States with rigid budget and accounting policies need to pursue new fiscal structures. For example, some States still provide single-year allotments, without authorization to carry funds over. Others dispense line-item appropriations, often by formula, with the expectation that funds will be spent as allocated. Participants argued that such anachronistic systems discourage creativity, make it difficult to identify venture capital for new programs, encourage mediocrity by drawing every institution to the average, and foster homogeneity across institutions. To counter these undesirable effects, States should dispense all but special allocations in a lump sum and give institutions authority to roll funds forward to use as they deem necessary for achieving State, System, and institutional goals.

It is important to note that acquiring greater financial flexibility is not an all-or-nothing

situation. For example, the Oregon and West Virginia systems have recently achieved targeted independence in payroll, purchasing, and other business-related functions.

With more autonomy, University leaders will be better equipped to meet their challenges and seize opportunities. "Let the system reward differentiated behavior rather than sameness," as one president put it.

VARY TUITION

The group felt that there is great value in departing from the standardized fee structure. Instead, we should allow the free market to affect tuition policy, with complementary financial aid policies to ensure access.

Many believe that there is a hypersensitivity to tuition, with inaccurate conclusions drawn about the relationship between price and access. One participant noted that his State raised tuition by 19 percent, only to see a 24 percent increase in applications. Another reported losing market share to National University, which charges twice as much in fees. And another asked, "Why are we so reluctant to see students acquire $14,000 in educational debt over four or five years, when they are willing to go into that much debt the day they graduate, just to buy a new car?"

Though there is strong evidence of price elasticity, the group acknowledged that we don't have sufficient information about what fee levels can be tolerated before individuals get priced out. Further discussion needs to take place around the question of how much debt a graduate should be expected to bear. Serious research and consideration should be given to varying tuition by program, since earning power after graduation varies considerably and, coincidentally, many (though not all) of the most expensive programs—engineering, science, technology—also have higher earning potential.

Tuition could vary on other dimensions, depending on the institution's unique situation:

- An institution with inadequate space might offer lower fees for classes at less popular hours when there is excess capacity. The University of Oregon has implemented such a program with positive results.
- It might charge more for upper-division courses that cost more to offer.
- It could charge higher tuition for a new, highly specialized program and use the additional revenues to assemble a world-class faculty that would enhance the institution's reputation and attract even more top students and faculty.
- One participant even advocated the airline model of altering course fees on a dynamic basis according to seat availability.

Some concerns were raised about the willingness of key stakeholders to support new tuition policies. Would faculty be willing to teach at nontraditional times such as on the weekends, if students were willing to take classes then? Would Boards be willing to increase the complexity of tuition structures? Would elected officials have the confidence to let go and support a free-market model? Despite these questions, on balance, participants believe that remodeling the fee structure by time, day, course level, cost, or other factors would offer institutions some additional tools to respond to market demands and make the best use of their resources.

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As one participant noted, "We are unable to support highly different or entrepreneurial efforts, so it occurs outside of us. The day we begin to support individual institutions moving out in a different way, we will begin to evolve the solutions by practice."

TAKE THE INITIATIVE ON GENERATING MORE PUBLIC SUPPORT

There is a growing gap between the reality of the public's understanding and support of higher education. A part of the reason, as mentioned earlier, is that the public doesn't view higher education as a direct benefit or an entitlement. Also, the information institutions use to highlight how their performance is impacted by an increase or decrease in financial support doesn't resonate with the general public. People simply can't relate what we do and say to their interests. As a result, legislators and other State officials suspect that their constituents will not object, so higher education becomes an attractive target at budget-cutting time.

"My budget gets cut while I am accepting larger enrollments, and I can't demonstrate that students' GREs are lower or that they can't get jobs upon graduation. I can whine about it, but I can't demonstrate it."

What can be done to generate more public support?

TAKE THE INITIATIVE ON ACCOUNTABILITY

Institutional and System leaders need to begin to communicate information about performance and outcomes in ways that create new bridges with the general public and distinguish higher education from other elements of the State budget.

A good part of the problem is that public institutions have not taken the lead on identifying solid performance measures in terms that we believe are important. "We just have not taken accountability seriously enough yet," as one participant put it.

Another problem is that accountability measures can conflict, particularly quantitative and qualitative factors. For example, a common outcome measure is number of degrees awarded. Another is the impact of the University experience on students. How should these factors be weighed? If degrees awarded is considered alone—without taking into account learning outcomes or knowledge gained—then there is no way to make a case that financial support is linked to quality. Any institution producing large numbers of graduates could appear to be offering as complete an education as the finest school.

The lack of accountability measures also has implications for governance and institutional flexibility since it is difficult for elected officials and Boards to let go of their traditional regulatory powers without being certain they can measure performance and outcomes.

Careful research needs to be done to identify the most appropriate and powerful accountability measures. In addition to those already mentioned, others include:

- Progress toward goals of clear importance to elected officials and the public;
- Advancement on factors that translate to competitive advantage over neighboring States; and
- immediate and long-term economic impact.

Some cautioned that establishing new accountability measures is not the magic bullet to more funding and greater autonomy and flexibility. "It is just a ticket to enter," as one participant said.

ENGAGE BOARDS AND OTHER STAKEHOLDERS

Leaders also need to find new ways to engage their Boards in rolling out needed changes. Different approaches will prove successful in different States. Some presidents and chancellors will need to move quietly in Systems where there is strong resistance to change. They may have to do more behind the scenes, "by stealth," as one person put it, influencing rather than advocating, and letting many other voices—Board members, students, constituents, business leaders—do the talking for them. "You can often be more powerful anonymously," someone suggested. Presidents in other Systems may be able to use a bolder approach by publicly pushing change forward where they see openings.

We sometimes make the mistake of trying to do too much too soon. Engaging a Board and legislature in change has to begin with "small victories" where the benefits are carefully publicized in the media to give everyone involved wide recognition: It becomes an "inspirational story" to be retold over and over. Then, based upon a new sense of confidence, progress can follow on other issues. One participant spoke of how a modest Federal grant that originated from a Board initiative gave the campuses and the Board a platform for change, confidence, and a flag to rally around.

It was also noted that some institutions have succeeded in bringing about change when they join forces with other campuses, even those across State lines. Presidents who have experienced such collaboration said the resulting "thieves' pact," as it was put, brings more credibility in the eyes of governing Boards.

Regardless of the approach, participants believe that more time needs to be spent deliberately strategizing about how to create change, including who will take the risk, who will get the credit, and how one success can be built on another until the desired ends come to fruition.

THINK AND ACT PUBLICLY-*ASSISTED*

The gradual drop in higher education's share of State budgets means that leaders and institutions need to seek nontraditional ways of doing things, which includes finding alternate funding sources. While this means identifying privately funded initiatives, it also touches upon the way we think of ourselves, our relationships with constituents, and how we plan and instinctively act on a day-to-day basis.

Universities are not often thought of as entrepreneurial, but, looked at in a particular way, they are. For example, a grant is fundamentally a business venture, but with different language to fit the culture. Client is a "granting agency," money is "funds," manager is "principal investigator," and payment is "honorarium." Yet, the thinking that gave rise to the idea and to the grant proposal is very entrepreneurial.

"Why do we keep going back to the State to solve our problems? We need to make the public University more private by going to funding sources other than the public trough."

Looked at in this way, the issue becomes one of how to expand the creative, capitalistic thinking that already exists.

BECOME MORE MARKET DRIVEN

Thinking and acting more like a publicly-assisted institution begins with being more attentive to the primary stakeholders in the community, region, and State. This may be a significant change in orientation for some large research universities that have legitimate reasons to focus on national and international issues. But these should not preclude a sensitivity to local needs and opportunities, particularly since the genesis and growth of many large research universities result from initiatives related to regional needs and work force development, e.g., Land Grant Acts, and the G. I. Bill.

One participant noted that in a recent poll on the level of support for different sectors of higher education in his State, community colleges fared well, but not the universities. "We haven't done a good enough job of connecting with the community so that they feel like we are their University." Another noted that a genuine responsiveness to the local community is the key to support for his campus and its ability to generate alternative sources of funding. "We get far more support from the business community than any other stakeholder. From building that relationship have come partnerships, more grants and contracts, and huge increases in philanthropy."

CREATE JOINT VENTURES WITH OTHER INSTITUTIONS

As noted earlier, there is political advantage in collaboration. There are also practical advantages, since it provides institutions the opportunity to share their intellectual, fiscal, and physical capital to achieve common goals. Participants cited several examples, one being a new collaboration on the edge of downtown Boise involving the University of Idaho and Idaho State. Called "Idaho Place," the joint venture is a combined educational, retail and residential center. Not only will Idaho Place eliminate redundancies, it will provide new research and public service opportunities in partnership with businesses and

government agencies around the State. Another is a joint venture involving the University of Washington, Bothell and Cascadia Community College, two new institutions on the same campus. Yet another example is the Universities at Shady Grove, a consortium of several Maryland public universities that share a common set of classrooms, laboratories, library and other facilities. Shady Grove offers upper division courses leading to 15 different baccalaureate degrees.

In the research arena, the "Inland Northwest Research Alliance" is a multidisciplinary joint venture involving eight universities across six States in the Northwest.

There are also a number of successful models of instructional joint ventures, including between institutions that are in different regions of the country, e.g., joint doctorates between California State University campuses and public and private institutions in the west; and a joint masters program in public administration involving the University of California-Berkeley and Princeton University.

FORM PARTNERSHIPS

Most of the institutions represented at the Roundtable have established successful partnerships. As leaders in the knowledge revolution the "product" of the University, i.e., knowledge, can attract resources.

There are a number of models of successful joint ventures between universities and their local cities and corporations: research institutes, corporate parks, and biotechnology centers. However, these tend to be at large institutions. As public universities adjust to publicly-assisted status, *all* will have to pursue additional partners to leverage their strengths and create new revenues. As one participant put it, "The rest of us better get a lot smarter and less timid about this."

Successful partnerships do not happen naturally in higher education. Leaders have to create opportunities and rewards for them to occur. For example:

- Financial incentives for departments to match their research agendas with local, real-world problems to encourage partnerships to form;
- Forums where local corporate, educational and civic leaders dialog with faculty about faculty research and how it ties to the needs of each of the organizations; and
- Forming a small partnership to help the campus see the benefits and gain confidence, then building upon it by seeking other partnership opportunities.

CONTRACT WITH THE PRIVATE SECTOR FOR SPECIALIZED SERVICES

In recent years, some large-scale outsourcing arrangements have not gone as well as anticipated. Yet higher education has a long and successful tradition of contracting out in certain areas, including food service, bookstore operations, legal services, technology support, architectural and construction service, and capital campaign management. The keys to success appear to be related to the scale of the arrangement (with modest size being preferable), the scope of the services (the more focused the better), taking into account the welfare of employees impacted by the arrangement, and the goodness of fit

between the contractor's corporate style and the culture of the institution.

One participant noted that considerable contracting-out in nontraditional areas is occurring in the community college sector. For example, the City Colleges of Chicago has contracted with American Express Tax and Business Services to manage financial aid, payroll, budget, purchasing, and other financial services; and Chattanooga State Technical Community College is outsourcing a portion of its remedial education program to Kaplan Educational Centers, Inc.

Universities can watch these arrangements and develop pilot programs of their own for contracting out services that will reduce costs and increase the quality of services.

There are important caveats in regard to universities thinking and acting publicly-assisted:

- In order to create successful joint ventures, partnerships, and other business arrangements, public universities must have greater flexibility in the budget and financial areas noted earlier in this monograph;
- It's important to keep in mind that seeking alternate funding sources means accepting certain risks, whether it's struggling with partners over priorities or financial failure;
- The University as a whole, not the originating department, must maintain ownership over revenues generated by partnerships and joint ventures so that balances can be shared with other areas; and
- Great care needs to be taken to be sure that all entrepreneurial ventures align with the ultimate mission and goals of the institution.

SEIZE THE MOMENT IN TIMES OF CRISIS

Financial crisis is the most valuable tool for change. It creates possibilities because maintaining the status quo isn't an option. Yet, unfortunately, it is during these very times of opportunity that higher education divides, becomes timid, and worries about political consequences.

"In the public University sector, change is impossible without a crisis."

Off campus, as some observed, "Crisis is the best time to get concessions from the government to compensate for the financial cuts it made." But, rather than use the opportunity, our tendency is to talk about the dire results of poor funding, then compromise at the eleventh hour by agreeing to accommodate additional students. A part of the reason for this is fear of consequences, but a larger part is that we can't seem to mount an argument as why we shouldn't, which goes back to public higher education's need to take the lead on accountability. As one president put it, "As long as we do take more students and can't communicate what negative impact that has on quality, in ways that we can *demonstrate*, we are not going to get any relief."

We also often fail to take advantage of a financial crisis on campus. For example, we tend to make across-the-board reductions rather than making a decisive move to reduce specific programs. We chip away at travel budgets, freeze faculty and staff lines, use more adjuncts, and make other marginal reductions. One reason for this relates to a premise of the SCUP Roundtable—that we have it ingrained in our minds that all financial downturns are temporary and that "we just need to hold on until times get better." Another is clearly a fear of the political consequences. But, again, a part of the reason is that we can't demonstrate to powerful outside constituents how the across-the-board approach is actually more damaging than targeted reductions such as freezing enrollment or program reduction. As one president noted, "We say that over-reliance on adjunct and part-time faculty reduces quality, but schools like the University of Phoenix do it as their primary way of doing business, and the public is flocking to them."

In the end, as one participant put it, "Agreeing to do more with less sends a clear message to elected officials and the general public, 'No problem. We can handle it.'"

Rather than responding to financial crises as we do, participants suggested alternatives.

TAKE A STAND

Boards, chancellors, and presidents must take a stand, together, and allow the consequences of budget reductions to be visible to elected officials and the public. As one put it, "We shouldn't keep the problems hidden." And, as another summed it up, "A big part of our problem is that, as far as the public and the legislature is concerned, we *work*. There have been budget increases for prisons, for social welfare functions, and for K–12 education because those systems are seen as not working. So they spend more money on the problems."

Some noted that there are political and public relations consequences in this approach, referencing the recent experiences of the Boards and leaders in Wisconsin, which chose to freeze enrollments in the absence of additional funding, and in Tennessee, which closed the doors and postponed summer school at all its campuses until a budget was passed. But, in both cases a powerful message was sent.

BE CREATIVE

We should use the crisis as an opportunity to form creative approaches that would otherwise be out of the question. For example, one participant facing a major budget reduction had two programs that were very costly but important to citizens and to businesses in the region. "These were two programs that we did not want to eliminate. So, we 'privatized them' and made them self-supporting. The State loved us." Building on this, another suggested that in times of crisis we should advance ideas that go even *beyond* those discussed earlier in the Roundtable, e.g., modifying governance, varying tuition, etc. For example, it may be a time to seek authority to sell bonds to support operations—similar to capital bonds—using a pledge of student fees as collateral. The funds can help capitalize innovative programs that we are confident will be self-supporting. Or, further, if access is a critical issue to the public, and work force development critical for corporations, why not approach local businesses about funding scholarships; underwriting academic programs; or paying off student loans as a recruiting incentive?

BE COURAGEOUS

In times of financial crisis, leaders need to have the courage to make tough decisions, such as organizational changes and program elimination, which are in the best interest of the University. One president mentioned that there can even be advantage in being ahead of other campuses in making such decisions since it eventually places the president and campus in a leadership position. The key is calculating when the actions are right and properly timed and sequenced. It is also critically important to assess consequences accurately, being confident that you and the institution can survive the firestorm to get to the positive outcomes. One very real danger is being too cautious and not making enough changes. "It is better to have the nerve to make needed cuts while the crisis lasts, rather than be too cautious now and regret it later," the president noted. Ultimately, leaders need to "determine how much nerve you dare have, and how you balance a good idea against losing your own head because of the good idea."

TAKE THE INITIATIVE

Some suggested that we shouldn't wait for a crisis to occur. Rather, we need to be preemptive, by identifying and acting on a crisis that is waiting to happen—"not a crisis to us, but to those who seek the American dream." One important value to maintain, for example, is access to higher education and the need for systems and campuses to have an enrollment plan and resources to ensure it. Are there others? When each is identified, we can communicate them and develop appropriate strategies, knowing that we have hit an issue that is important to the public.

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CONCLUSIONS

One premise of the SCUP Roundtable was that the financial challenges being faced by American public higher education are a permanent condition rather than a "temporary situation we'll have to endure until the economy turns around." An additional premise was that States will continue to look to their universities to address major policy issues, e.g., technology initiatives, workforce development, K–12 reform, agricultural research, and access to post-secondary education.

"The challenges we have in the academy cannot be addressed with 'reports,' and deciding if the best report would be from the legislature or from the SHEEOs. It has to be about behaving differently. We have to figure out a way to let the universities respond and actually succeed or fail, and not put so many constraints on them."

This challenge fits into a larger context. Corporations have done significant "reengineering" to deal with many of the same forces that affect higher education, such as the expansion of technology, increased competition, globalization, market changes, consumerism, and public accountability. Health care, subject to these same forces, has also modified its traditional ways of doing business—however, it has done so less by its own volition than due to Federal and State policies and regulations, and market economics.

The principal question was:

"Given the new fiscal realities, what governance and operating models must the American public University consider to maintain autonomy, fulfill its historical mission, and maintain its worldwide premier status?"

Over the course of the day, SCUP Roundtable participants identified a set of operating principles and ideas that will help us lead the American public University successfully in the new century.

The details of implementing the ideas were not worked out at the Roundtable, nor were conclusions drawn about their specific short- or long-term impacts on individual institutions or State systems. Some ideas relate to leadership style; others are alternate ways of doing business. All were deemed to have sufficient potential to merit serious consideration.

Following are the Operating Principles and a sample of the many ideas that arose from the discussion:

Public universities must CARVE OUT A NICHE rather than try to be all things to all people.

- Define a set of core programs for each campus that are funded by the State, and allow other programs to be delivered on a free-market basis.

Public universities should STEP UP TO THE COMPETITION, whether from for-profit or traditional schools.

- Consider using the voucher system in higher education.
- Aggressively communicate and differentiate the value of a public University education as compared to the for-profit institutions.

Public universities and leaders must ACQUIRE GREATER FLEXIBILITY.

- Depart from the standardized fee structure and let campuses vary tuition and fees however appropriate for their circumstances, e.g., by course level, discipline, or time of day.

Public universities must TAKE THE INITIATIVE ON GENERATING MORE PUBLIC SUPPORT.

- Establish clear, compelling performance criteria and communicate outcomes in ways that resonate with the general public and that distinguish higher education from other elements of the State budget.

Public universities must THINK AND ACT PUBLICLY-*ASSISTED* rather than publicly supported.

- Redouble efforts to link the activities and priorities of the University with the needs and priorities of the external community.
- Make joint ventures with other universities and partnerships with organizations outside of higher education a part of the way we do business, not an exception to the rule.
- Create incentives for academic units to link research and teaching with local needs.

Leaders must SEIZE THE MOMENT IN TIMES OF CRISIS to make needed changes.

- Allow the public to experience the consequences of budget reductions (e.g., freeze enrollments), rather than conceding to pressure to do more with less.
- Seek approval for new approaches that would normally be out of the question, e.g.:
  - "Privatize" selected, high-demand programs by raising fees and making them self-supporting.
  - Sell bonds to capitalize programs that have a high probability of being self-supporting.
- Rather than watching a crises unfold, elevate the underlying issues to crisis status in the minds of the public, and take preemptive action.

The conclusion of the Roundtable was a hopeful one: that many good paths showing a great deal of promise lie ahead for institutions willing to make the most of current conditions. There is no shortage of solid ideas. There may be a need for better understanding and communication, more robust performance measures, keener competition, and renewed optimism.

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© 2002
Published December 15, 2002
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